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RUEHSH/AMCONSUL SHENYANG 0360
RUEHHK/AMCONSUL HONG KONG 0414
RUEHIN/AIT TAIPEI 0305
RUCPDO/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASH DC
RHHMUNA/HQ USPACOM HONOLULU HI
RUEHC/DEPT OF LABOR WASHDC
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C O N F I D E N T I A L GUANGZHOU 000008

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SUBJECT: Labor NGO Stuck with Fine for Unpaid Taxes

Classified by Economic and Political Section Chief Steve Lang for reason 1.4 (d).

¶1. (C) Summary: A Shenzhen-based labor NGO was charged more than RMB 79,000 (approximately US\$12,000) in back taxes and fees in what the organization's director says was a move orchestrated by local security authorities. The situation appears to be limited to the single NGO, though directors of some other labor NGOs have expressed concern that they could face similar problems. End summary.

¶2. (C) The Shenzhen Bao'an District Taxation Bureau charged the Shenzhen Spring Breeze (chunfeng) Labor Dispute Service Center with thousands of dollars worth of back taxes and imposed the maximum penalty of 300% for late payment, according to Spring Breeze Director Zhang Zhiru. The incident, which began in late July 2009 and was only resolved in December, began with the tax bureau's seizure of the NGO's financial documents spanning January 2006 to December 2008. (Note: Due to the difficulty of registering a nongovernmental organization in China, most NGOs here register as companies, necessitating tax assessments. End note.) Zhang claims that one of the tax officials present at the July seizure said that the local Public Security Bureau (police) had sent the Taxation Bureau to investigate the NGO even though it was rare for tax officials to scrutinize such a small operation. After a further three months of investigation, the Taxation Bureau recommended payment of assessed back and current taxes as well as a 50% penalty, according to Zhang. Zhang says that "other government departments" did not concur until the penalty was revised to 300%, the maximum possible.

¶3. (C) Zhang ultimately borrowed money to pay the more than RMB 79,000 (approximately US\$12,000) fine. He has appealed to the Shenzhen Municipal Taxation Bureau for an "administrative review," which is scheduled to be decided within sixty days. Zhang says he is pessimistic about his chances to have the fine reversed. Zhang claims that the Taxation Bureau told him that the bureau had no intention to make things difficult for him, but that it was acting on instructions of security officials. (Comment: If what Zhang says is true, the Taxation Bureau's comments were surprisingly frank. End comment.)

¶4. (C) Directors of other Shenzhen and Guangzhou-based labor NGOs wonder whether Spring Breeze was able to keep good financial records without employment of a professional accountant. Shenzhen Zhi Qiang Information Consulting Service Director Zhu Qiang said that, like his organization, many NGOs hire accounting firms to take care of their financial matters. Zhu added, however, that if the government wished to punish or pressure someone it was impossible to avoid it. Shenzhen Ren Zai Ta Xiang Labor Service Director Li Yan said he was unaware of any other labor NGO in Shenzhen that had been targeted recently by the tax authorities. Guangzhou Pearl River Workers Service Center Director Jing Xiang said that hearing of Spring Breeze's troubles had worried him, but he, too, had not seen any signs that zealous tax enforcement of NGOs was becoming a pattern.

¶5. (C) Comment: Zhang admits that for years his organization has only paid "symbolic" amounts of tax each month due to limited funds. Though it is possible that law enforcement officials selectively tipped off the tax authorities to Spring Breeze's unpaid taxes, the lack of any pattern of unfair enforcement of other labor NGOs' tax dealings suggests that this is an isolated case and not part of a trend.

JACOBSEN